

**AFRICAN DEVELOPMENT REVIEW / REVUE AFRICAINE
DE DEVELOPPEMENT**

VOL. 22 No. S1 December / Decembre 2010

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Introduction: China's Increasing Engagement in Africa: Towards Stronger Trade, Investment and Development Cooperation

Richard Schiere and Peter Walkenhorst

The Future of African Trade with China under Alternative Trade Liberalization Schemes

Mohamed A. Chemingui and Mohamed H. Bchir

Abstract. Evidence is gradually being built up in Africa on the full extent and rapidly growing role and interest of China in Africa. The global trade integration under the Doha Round, which is considered as the channel for fostering outward-oriented development and generates economic and social benefits, is expected to effect more African trade with China. Our results show that with an agreement for the Doha Round, China will achieve its dominance on global trade faster than in the baseline scenario where no agreement is expected to be signed. In the long term, this impressive growth in Chinese exports to Africa is not a real value added, as China is already taking the place of the other major trade players both in African markets as well as in the markets of other regions and countries. In other words, China is expected to achieve in 10 years (2010–2020) what initially was expected to be achieved in 20 years in case of no agreement under the Doha Round, where a simple linear estimation on the evolution of Chinese exports is carried out. Our results also show that even in the case where China will offer more market access for African countries, the situation will not improve much for most of them. The reason is that Africa is still suffering from small productive capacities and a low level of diversification of its economy.

Impacts of the Rise of China on Developing Country Trade: Evidence from North Africa

Paul Brenton and Peter Walkenhorst

Abstract. Despite the global financial and economic crisis, China has continued to experience strong export-driven growth and, indeed, became the world's largest exporting country in 2009. This rise of China in international markets presents African countries with growing competition in their home and export markets, but also with new opportunities. This paper focuses on the impacts of these developments on countries in North Africa, which are directly affected by the prominence of Chinese manufacturing. In particular, the analysis addresses two policy questions: First, is competition from China leading to substantial displacement of resources that incur significant adjustment costs

while moving to new activities, or are there opportunities to exploit finer patterns of specialization that entail less disruption? And second, will policies that mitigate the impact of competition from China limit the longer-term capacity to exploit new opportunities in the global market? The findings from the empirical analysis suggest that policy makers can support North African producers in the increasingly fierce competition with China by reviewing the regulatory and incentives environment, reducing trade logistics costs, and broadening trade promotion efforts to non-traditional markets.

Does China Transfer Productivity Enhancing Technology to Sub-Saharan Africa? Evidence from Manufacturing Firms

Juliet U. Elu and Gregory N. Price

Abstract. This paper considers whether trade between China and sub-Saharan Africa results in productivity-enhancing technology transfers to sub-Saharan African manufacturing firms. As trade flows between countries potentially results in interactions that lead to technological improvements in the production of goods and services, we parameterize the level of total factor productivity for African manufacturing firms as a function of foreign direct investment flow, and for the country in which it operates, trade openness with China, and its interaction with foreign direct investment. With micro-level data on manufacturing firms in five sub-Saharan African countries, we estimate the parameters of firm-level production functions between 1992 and 2004. Our parameter estimates reveal that across the firms and countries in our sample, there is no relationship between productivity-enhancing foreign direct investment and trade with China. In addition, increasing trade openness with China has no effect on the growth rate of total factor productivity. To the extent that total factor productivity and its growth is a crucial determinant of economic growth and living standards in the long run, our results suggest that increasing trade openness with China is not a long-run source of higher living standards for sub-Saharan Africa.

Chinese FDI to Africa: What Is the Nexus with Foreign Economic Cooperation?

Marco Sanfilippo

Abstract. China, once a major recipient of foreign direct investment (FDI), has recently become one of the main 'emerging' investors, especially in developing countries. Chinese Outward Foreign Direct Investment (OFDI) plays a very prominent role in economic interaction with many African countries. This paper empirically investigates the determinants of Chinese OFDI versus 41 African countries over the period 1998–

2007. The analysis is novel because it provides empirical support to the existing, so far purely anecdotic, evidence describing Chinese FDI to Africa as driven by natural resources endowments and market potential. The econometric analysis highlights strong interrelationships between Chinese FDI and economic cooperation, which make standard models of investments unfit when assessing the role of China in Africa. It also suggests some new lines of research, exploiting the strong links between these different sources of financing.

Building Complementarities in Africa between Different Development Cooperation Modalities of Traditional Development Partners and China

Richard Schiere

Abstract. China's relationship with Africa has grown exponentially over the last decade with US\$95 billion in bilateral trade in 2008 and US\$5.4 billion of Chinese investment in Africa for the same year. The growth of Sino-African relations also has an impact on the role of traditional development partners in Africa in particular in the aftermath of the 2008 financial crisis, which has already led some traditional development partners to reduce their aid budgets and subsequently their Official Development Assistance (ODA) flows to Africa. The objective of this paper is to analyse different development cooperation modalities in Africa of traditional development partners and China. This requires identifying trends in aid, debt relief, general budget support, trade, preferential trade access, and investment flows of both traditional development partners and China. The paper advocates that complementarities can be built between these development modalities on a national, regional and global level. This would enhance development effectiveness, increase efficiency and create win-win situations which would be beneficial to African countries, China and traditional development partners.

Poverty Alleviation in the People's Republic of China: The Implications for Sino–African Cooperation in Poverty Reduction

Zhong Wu and Enjiang Cheng

Abstract. In the last thirty years, remarkable achievements have been made in China's poverty reduction course. The dramatic fall in China's poor can be attributed mainly to a high rate of economic growth, government poverty reduction policies and targeted programmes and pro-poor macroeconomic and industrial policies. This paper focuses on China's poverty reduction policies and programmes and their impact on the poor regions and poor households. Lessons are drawn for poverty reduction and economic

development in African countries. The paper also explores the potential for collaboration in poverty reduction between China and African countries and recommendations are made for the governments and donor agencies.
